

**MINUTES OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD ON
October 18, 2002
8:30 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Alan Maguire, Chairman, Arizona State Retirement System Board, called the meeting to order at 8:30 a.m., MST.

The meeting was teleconferenced to the ASRS office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call

Present: Mr. Alan Maguire, Chairman
Mr. Bonnie Gonzalez, Vice Chairman
Ms. Charlotte Borchert
Mr. Jim Bruner
Mr. Norman Miller
Mr. Karl Polen
Mr. Ray Rottas
Mr. N. Carl Tenney

Excused: Dr. Chuck Essigs

A quorum was present for the purpose of conducting business.

2. Approval of Minutes of the September 6, 2002, Special Meeting and the September 20, 2002, Regular Meeting of the ASRS Board

Motion: Mr. Jim Bruner moved to approve the minutes of the September 6, 2002, special meeting and the September 20, 2002, regular meeting of the ASRS Board.

Mr. Ray Rottas seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

3. Approval of Consent Agenda

Motion: Ms. Bonnie Gonzalez moved to approve the consent agenda as written:

- A. Approval of Retirements, Refunds and Death Benefit
- B. Approval of System Transfers
- C. Application and Agreements with the Following Employers:
 - 1. Life Skills Center of Arizona
 - 2. Aztlan Academy, Inc.
 - 3. Town of Carefree
 - 4. Town of Eager
- D. Approval of Contract Extension of Spherion for the Independent Advisory Consultant (IAC) Services

Mr. Jim Bruner seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

4. Director's Report

Mr. Anthony Guarino, Deputy Director, Chief Operations Officer, gave the ASRS operations quarterly report. The discussion included an explanation of the ASRS Strategic Plan and the ASRS Business Plan, which includes the Information Technology plan, Health Insurance, and the new Supplemental Retirement Savings Plan. Measures, trends, workload statistics and the ASRS budget were also discussed.

Mr. Norman Miller asked about the External Affairs section of the Strategic Plan. He would like to see added that the External Affairs convene in the summer to identify the legislative and regulatory needs for the upcoming legislative session. Mr. Guarino explained that the External Affairs section is currently being reviewed and updated by Mr. Richard Stephenson, Deputy Director, External Affairs. Mr. Stephenson was not a part of the ASRS when the current section of the document was written and will be adding services to accommodate the Board's requests.

Mr. Guarino introduced Mr. Patrick O'Keefe, Network Information Systems (NIS) Manager, who reported on the ASRS Business Continuity Plan. Mr. O'Keefe stated that the NIS staff conducted a test of the Business Continuity Plan on August 30, 2002, in the Tucson office, the designated recovery location. Three critical business systems were successfully restored at the recovery location: phone services, call center operations, PERIS and UNYSIS applications. The test on August 30, included only the NIS and Information Services staff and the recovery and set up. During the first quarter of 2003, an agency wide test will be conducted that will involve actual staff members relocating to Tucson, setting up at their computers and phones and becoming completely operational.

5. Presentation, Discussion and Appropriate Action Regarding the Information Technology (IT) Implementation Status Update as Presented at the October 8, Budget and Audit Committee Meeting

Ms. Gonzalez, Chairman of the Budget and Audit Committee reported that the future reporting requirements of the Project Director and the Independent Advisory Consultant were discussed during the Committee meeting. The project is on schedule and moving forward as expected.

6. Presentation, Discussion and Appropriate Action Regarding the External Audit Scope of Work

Ms. Gonzalez reported on the September 30, Budget and Audit Committee meeting regarding the discussion of the external auditor's contract. The contract of the current auditor, Deloitte and Touche will expire soon, and a Request for Proposal (RFP) will need to be issued. Two contract changes were made: (1) The contract will be initiated April 1, rather than July 1, the beginning of the new fiscal year. If a new contractor is selected, this will allow them to have their work papers in place prior to the start of the fiscal year; and (2) A section was added to include an option for the staff to request an audit of the IT plan.

Motion: Ms. Gonzalez moved to approve the external audit scope of work and to proceed with issuance of the RFP.

Mr. Carl Tenney seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

7. Presentation, Discussion and Appropriate Action Regarding the Executive Search Committee Status

Mr. Maguire referred to a report from ADOA Human Resources, that showed that as of October 10, ninety-eight résumés have been received from applicants in 30 states and the District of Columbia, 32 of them from Arizona. As of Wednesday, October 16, an additional 12 résumés have been received. The position is open for applicants until October 31, 2002.

Mr. Bruner asked for verification that all applicants' names will be held confidential until the final cut. Mr. Maguire stated that they will be. Mr. Bruner also asked when the Board will meet with the executive search firm to conduct the first cut of applicants. Mr. Maguire responded that the meeting will be held approximately November 7.

Mr. Norman Miller asked when a Board member would have access to the résumés. Mr. Maguire stated that Linda Herold of the Department of Administration would be able to provide that information at any time it is requested.

8. Presentation, Discussion and Appropriate Action Regarding the Board Policy and Procedure Committee Status Update

Mr. Ray Rottas, Chairman of Policy and Procedure Committee reported on the October 16, meeting. The Committee will funnel rules, policies and procedures that are received to the

appropriate Board Committee for assessment. The other Committee will then send it back to the Policy and Procedure Committee, and then, if need be, to the Board.

Mr. Stephenson reported that External Affairs staff identified every part of statute that requires policy or rules, and have begun the procedure of developing such.

9. Presentation, Discussion and Appropriate Action Regarding the External Affairs Committee Meeting Status Update

Mr. Ray Rottas, Chairman of the External Affairs Committee reported on the October 16 meeting, stating that a process was discussed to increase the availability and communication between the Legislature and the ASRS staff. Mr. Stephenson added that a preliminary briefing was given to the Committee of five public policy initiatives that are being studied for possible legislation.

Mr. Stephenson introduced Mr. David Cannella, Communications and Media Relations Manager, the newest External Affairs staff member.

Mr. Maguire commented that the Governance RFP that the Board voted on has been delayed in the Department of Administration offices and stated that he would like to bring the responsibility of the issuance of the RFP back to the ASRS Procurement Department. The Board agreed. Mr. Miller requested that prior to the issuance of the RFP, the Board be allowed to review and suggest changes as needed.

10. Board Requests for Agenda Items

Mr. Karl Polen requested that two investment managers be invited to present in depth presentations to the Investment Review Committee: (1) ASRS F1 in December, and (2) at the January meeting, Dimensional Fund Advisors (DFA), regarding their under performance.

Mr. Tenney stated that the November meeting will be held in Prescott, and he would like the agenda to include an overview of the benefits of the ASRS for the benefit of the employers of Yavapai County who will be attending that meeting.

11. Call to the Public

Mr. Bill Peltier addressed the Board regarding the upcoming raise in contribution rates.

Dr. Robert Letson commented that he would like to see the 2001 Annual Report and the ASRS Strategic Plan on the web site.

Mr. Bruner agreed with Dr. Letson's suggestion that the web site be kept up to date, and requested that at a future meeting a staff member give a brief presentation on the updating process.

At Mr. Miller's request, Mr. LeRoy Gilbertson, Director, and Mr. Bernard Glick, Chief Auditor, explained the follow-up process for employers who were audited and the audit showed inconsistencies in their payments to the ASRS. The ASRS would bill the employer for the funds and give them thirty days to make payment. If payment is not received, the case is turned over to the Attorney General's office.

Ms. Charlotte Borchert commented that at Board request, the Governing Board of the District and the Auditor General are receiving the audit report for any school found to owe contributions. Mr. Glick confirmed that this is being done.

12. The next ASRS Board meeting is scheduled for Friday, November 15, 2002 at 10:00 a.m. in the Arizona Room of the Hassayampa Inn, at 122 E. Gurley Street, Prescott, Arizona.

13. Adjournment of the ASRS Board.

Mr. Alan Maguire, Chairman, adjourned the October 18, 2002, meeting of the ASRS Board at 10:48 a.m.

ARIZONA STATE RETIREMENT SYSTEM

Marina Chaves, Secretary Date

LeRoy Gilbertson, Director Date